

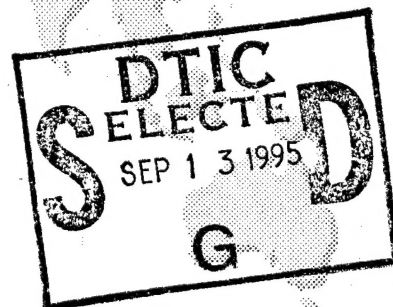
Military Aviation Infrastructure
Framing Reform for Political Success

Submitted to:

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Executive Summary

This paper answers the question: How can Aviation Depot Maintenance reform be made politically viable? The chief component of the US military's aviation infrastructure is Depot Maintenance: how the Armed Forces repairs and maintains its aircraft. Depot maintenance has a budget of just over \$15 billion. Currently, the DoD has 24 major public depots, employing a total of 96,000 civilians. Congress has cut the DoD's budget by 29% since 1991. Yet, the Depot budget has only decreased by 10%. If passed by Congress, depot reform has the potential to save between \$2-\$9 billion.

Congress has legislated three major constraints on how the DoD manages depot maintenance. First, public sector depots must perform 60% of the total depot maintenance workload. Second, the Services may not relocate depot work valued at over \$3 million. Finally, in 1994 Congress required that public depots must maintain equipment within five years of delivery, a direct reaction to the 'cradle-to-grave' management innovation. An act of Congress is required to change the laws.

Fortunately, two major events have dramatically changed the political landscape of depot reform: the 1994 Elections and the BRAC Closures. The affects of these two changes are wide ranging, and have opened a strategic window of opportunity for depot reform. In addition, the closures have placed Congresspersons, who had previously opposed reform, into a neutral or supportive stance for reform. Unshackled from the political need to protect a depot, this paper has discovered two key allies in the fight for depot reform: John Kasich and Herbert Bateman.

Successful depot reform must address the four key concerns of the Congresspersons involved. First, Congresspersons do not want their constituents' jobs cut. The Republican bias against the public sector moderates the importance of job neutrality, but the bias does not come close to eliminating the concern. Secondly, if Congresspersons are going to spend their time and political capital on depot reform, the reform must produce sizable savings. Thirdly, Congress is hesitant to give up the control it has now over Depot Maintenance. Finally, the most important Congressional concern is maintaining the military's readiness, meeting the military's depot requirements.

This paper considered four different solutions to the depot reform issue. ***This study recommends reform take the form of a Single Management Element (SME).*** As a top-level DoD authority, the SME would have limited mandate effectively coordinate depot activity across Services. Analysis shows this option gives the best chance for depot reform to pass Congress. With the recent elections and BRAC rounds, the best chance for real reform is now.

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Introduction

The end of the cold war has thrown the current US military structure into doubt. Is today's structure best suited for the new demands being placed on the military? Combining this doubt with the need for major budget savings, the need for a comprehensive, independent review of the US military becomes clear.

Congress chartered the Commission on Roles and Missions of the Armed Forces (CORM) to make recommendations to improve the effectiveness and efficiency of the Armed Forces. CORM divided the task into several issue areas. Colonel Edward Rice is in charge of the Aviation Infrastructure issue. Aviation infrastructure includes the procurement, maintenance, distribution, and replacement of aviation-related personnel and material.¹

The chief component of the US military's aviation infrastructure is Depot Maintenance: how the Armed Forces repairs and maintains its aircraft. This paper examines the strength and nature of Congress' concerns about aviation depot maintenance reform. The question this paper must answer is: How can Depot Maintenance reform be made politically viable?

Several efforts have been made in the past to reform the military's depots, but they all failed to be implemented. The reports contained excellent analysis and appropriate recommendations. The problem was they failed to incorporate the politics of depot reform. Several Congressmen brought out this omission in Congressional Hearings.²

How can the CORM's depot reforms avoid the same fate? This paper seeks to illuminate the political considerations by examining the important Congressional committees and the critical Congresspersons. The effects of the Defense Base Closure and Realignment Commission (BRAC) and the 1994 Congressional elections have

¹CORM draft Aviation Infrastructure Paper

²1994 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

dramatically altered the political landscape, directly effecting the prospects for depot reform. The paper will use these changes and current congressional concerns to assess the political viability of four reform options.

Aviation depot maintenance reform has the potential for saving billions of dollars, but the reform can only happen if Congress is willing to implement the recommendations.

Background

The military maintains its equipment through a combination of public depots and private depots. Depots do the intensive maintenance that cannot be done at the military unit where the equipment is normally located. Ship and aircraft engine overhauls are examples of the work done in depots. The public depots are owned and operated by the Department of Defense (DoD). During the cold war roughly sixty-five percent of depot work was done in the public sector.

Scope of the Issue

Depot maintenance has a budget of just over \$15 billion. Currently, the DoD has 24 major public depots, employing a total of 96,000 civilians, down from 35 depots employing 156,000 people in 1987.³ (A major depot is defined as having 400 or more employees.)

So why does Depot Maintenance need reform? Congress has cut the DoD's budget by 29% since 1991. Meanwhile, the DoD Depot budget has been cut by less than 10%. Figure 1 shows a widening gap between reductions in the DoD budget and the corresponding Depot budget.

The DoD expected substantial savings that have not materialized. Without the savings, the depot budget has siphoned money that the DoD had originally programmed for other areas.

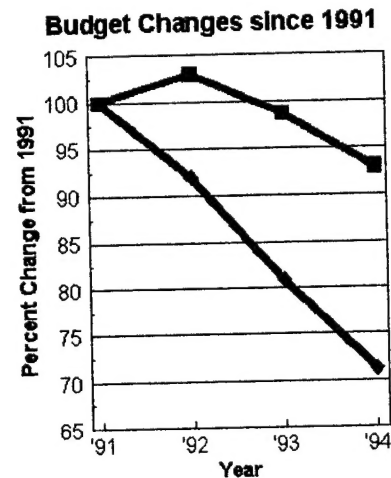


Fig. 1. Disparity between DoD and Depot Budget⁴

³Defense Science Board Task Force on Depot Maintenance Management, April 1994

⁴Ibid.

Excess Capacity

The depot budget has not been cut, because the DoD has maintained 50% more depot capacity than it needs. This is where Congress enters the picture. Congress controls the amount of money appropriated to the different sections of the DoD budget. The DoD may not just close a depot if it is no longer needed or easily reduce the number of employees. Members of Congress staunchly defend the jobs of their constituents. Congress created the Base Realignment and Closure Commission to circumvent the political impossibility of base closings.

Members of Congress with depots in their districts do not want the BRAC to close their depots. Several years ago Congress enacted the "60/40" rule. This law requires the four Services to perform 60% of their depot work in public sector depots. No more than 40% may be done by the private sector.

The law originated in the Readiness Sub-Committee of the House National Defense Committee (formerly the House Armed Services Committee). When the law was instituted, the Army had 50% of its depot work done by private companies. The law required the Army to reduce the level of private depot work to 40% over two years.⁵ The overall affect has made the public sector depots appear more useful and necessary. Therefore, the BRAC did not close as many public depots as they would have, since a higher number of depots were necessary to meet the 60/40 rule.

The 60/40 rule is a primary culprit for the 50% excess depot capacity, but not the only one. Inefficient management has also caused the excess depot capacity.⁶ The DoD lacks a top level authority to consolidate depot work across Services. The Defense Depot Maintenance Council, with a representative from each Service, is supposed to help coordinate the actions of the different Services. However, the DDMC needs a consensus to act. The body has neither the authority nor will to resolve the depot management

⁵1993 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

⁶Integrated Management of DoD Depot Maintenance Activities, Vol. 1: Study Results

problems. Each Service pursues its own needs, even when the needs could be met by another Service's depot.

Aviation depots have been the most effected by the lack of cooperation. The Naval and Air Force aircraft have very similar depot needs. The Navy has extra requirements due to the harsh environment of an aircraft carrier. However, some Air Force aircraft could be maintained by Navy aviation depots (NADEPs), and some Navy aircraft could be maintained by Air Force Air Logistic Centers (ALCs). Currently, the Navy and Air Force do some cross maintenance work, called interservicing, but it is a very small amount.

Inflexibility is the other major reason for depot costs not declining as fast as the overall DoD budget. Public depots are governed by all applicable federal and DoD regulations. When a depot's workload decreases, the depot is able to slightly curtail its work force, but the depot must still maintain its overhead. A depot manager cannot close just half of a maintenance hangar. The inability of the individual depots to downsize results in a much greater cost, a cost almost equal to using the full capacity of each depot.

The private sector has the same problem in reducing its capacity. The uncertainty of the depot workload available has also contributed to the private sector's excess capacity. Figure 2 shows the current capacity of private sector, versus the workload being sent to them by the DoD. The private sector is uncertain about the future available workload because

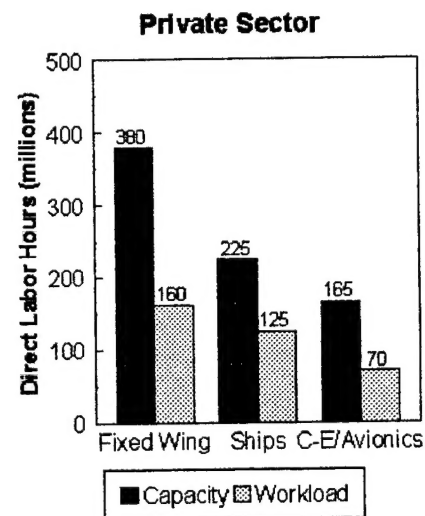


Fig. 2. Private Sector Current Capacity⁷

⁷Ibid.

of the political nature of the current 60/40 rule.⁸ If the Congress repeals the 60/40 rule, the private sector hopes to pull public depot work into its own depots.

Allocation of Work between the Public and Private Sector

Figure 3 shows the current percentage of work being done by the public and private sector in each of the services. The 60/40 ratio was chosen because it was the historic ratio during the cold war.¹⁰ The Air Force and Navy have been steadily increasing the amount of work done by the private sector. Many private sector companies have instituted a 'cradle-to-grave' practice. A company that practices 'cradle-to-grave' maintenance will not only produce a piece of equipment (like the F-22 fighter), but also

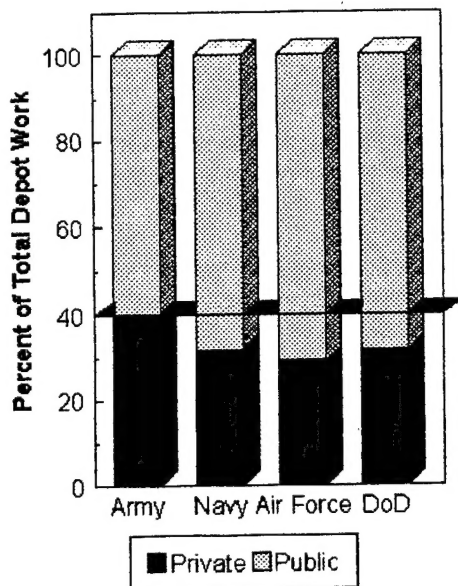


Fig. 3. Percent of Work Done⁹

provide complete maintenance and perform any upgrades. If the practice is unconstrained, over time the public sector depots will fade away as the older systems they maintained become obsolete. The increasing percentage of private sector work has caused Congress to constrain the 'cradle-to-grave' practices. The 1995 National Defense Authorization Act requires all new equipment to be maintained by public depots within five years from delivery. This effectively halts the innovation of cradle-to-grave procurement.

Each of the Services have been affected differently. The 60/40 rule impacted the Army the hardest, since the Army had to move 10% of its depot work from private contractors into public depots.¹¹ The Navy has had

⁸1994 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

⁹Defense Science Board Task Force on Depot Maintenance Management, April 1994

¹⁰1993 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

¹¹Integrated Management of DoD Depot Maintenance Activities, Vol. 2: Appendices, pg. B-2

some trouble keeping within the limits, due to the 'block' nature of ships (a private contractor is usually responsible for overhauling the entire ship).¹² The Air Force and Navy's aviation depots have not been effected. The 60/40 law may prevent them from sending more contracts to the private sector, as Congress would just intervene again. The USMC has not been effected at all, because 98% of its depot work is done in the public sector.

The CORE Debate

The most recent reform effort, led by the Defense Science Board Task Force on Depot Maintenance Management, tried to use the definition of CORE as a solution to the 60/40 rule. CORE was defined by the Joint Chiefs of Staff as *the minimum capability needed to maintain combat-related, mission essential weapon systems and equipment*.¹³ More simply: the most vital and time critical equipment needed to accomplish the mission is CORE. The task force recommended that public depots do all CORE requirements with all other maintenance being done by the private sector.

Currently, each Service can define what is CORE, so long as the public sector does 60% of the total maintenance work. Defining the core is already being done by the US Marine Corp. The USMC has realized its CORE requirements are much higher than the 60% threshold set by Congress. In FY94 89% of USMC depot maintenance was done by public depots. Unfortunately, no list exists within the Services stating what they believe is CORE for them. The question has been raised: can the Services even write a specific list of CORE equipment? The Readiness Sub-Committee rejected the concept of CORE, saying it would send too much work into the private sector without giving the public depots a chance to compete for the work.

¹²Interview. Peter Steffes, Chief National Defense Committee Aide for Defense Depot Issues

¹³Integrated Management of DoD Depot Maintenance Activities, Vol. 1

maintenance demand associated with war-time operations is called Surge Capacity. Since public sector workers cannot go on strike or refuse to relocate to the theatre of operations, they are viewed as a safer alternative than private sector workers. The question now becomes: how high of a price is the US willingly to pay for the lower risk of public workers?

Legislative Constraints on DoD Depot Maintenance

Congress has legislated three major constraints on how the DoD manages depot maintenance:

60/40 law: As explained previously, the public sector DoD depots must perform 60% of the total depot maintenance workload.

\$3 Million law: The Services may not relocate depot work valued at over \$3 million, unless specifically authorized by Congress. This limits the Services ability to consolidate functions. The Readiness Sub-Committee created the law to stop the Services from indiscriminately moving work between depots. Every time the Services would make a large shift, workers in the losing district would be fired.¹⁴

5 year limit: As explained previously, public depots must maintain new equipment within five years of delivery. This is a new limit, contained in the FY95 National Defense Authorization Act.¹⁵

Economic Impact

The 24 major depots are located throughout the United States. Figure 5 shows the location of each major depot. The depots directly employ 96,000 people (not including military personnel). The jobs are a large source of revenue for the various districts with depots. The money the employees spend in the local economy magnifies the economic impact. Indeed, for a few districts the depots are the principle employers and therefore the

¹⁴Public Law 103-160--November 30, 1993.

¹⁵Interview, Vickie Plunkett

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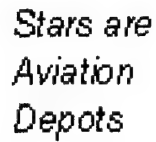


Fig. 4. Location of Major Depots (with more than 400 employees)

The Political Landscape

Any significant depot maintenance reform requires Congressional approval. Some reforms call for a repeal of a law (like the 60/40). Other major reforms will need approval, lest the reforms be countered by new laws. For example, Congress practically nullified the 'Cradle-to-Grave' concept with the *5 Year Limit* law.

Congress is the focal point for change. All the major actors involved (the Services, Private Industry, the Public Depot Employee PAC) must act through Congress, trying to influence the outcome to fit their particular goals. The CORM's recommendations will feed directly into the House National Defense and Senate Armed Services committees. This means the decision maker should understand the political obstacles (and sources for help) before choosing a course of action. Since Congress is the battleground for this issue, the PAE (Policy Analysis Exercise) analyzes the political landscape of Congress in regards to depot reform. The analysis identifies both the key committees and the critical Congresspersons.

Key Committees

The two key committees for depot maintenance reform are the Appropriations and Defense Committees. The Defense committees are responsible for authorization: the laws governing the DoD. The Appropriations committees are responsible for appropriations: the amount of money given to the public depots.

Depots are effected by both committees. Authorization covers the legislative constraints, like the 60/40 law. Appropriations controls the amount of money that can be spent, both on public depots and on the total depot work.

Defense Committees

Members with depots in their districts or states do not make a majority in either of the committees. The chairmen, Representative Floyd Spence and Senator Strom Thurmond, do not have depots in their districts. Only nine members on the House

National Defense committee have depots, out of a total of 55 committee members. The Senate Armed Services committee (SASC) also has nine members with depots in their states, out of a total of 19 committee members.¹⁶

	House (HNDC)		House Readiness SubC		Senate (SASC)	
	Members with Depots	Out of	Members with Depots	Out of	Members with Depots	Out of
Republicans	5	30	2	11	7	10
Democrats	4	25	4	9	2	9
Total	9	55	6	20	9	19

Table 1. Party Breakdown of HASC and SASC¹⁷

The most important committee is the House Readiness Sub-Committee (HRSC) of the House National Defense Committee. The Chairman of the HRSC is Herbert Bateman, who has the Norfolk Naval Ship Yard in his district.

Appropriations Committees

The power of depot members is significantly smaller in the Appropriations committees. The chairmen are Representative Robert Livingston and Senator Mark Hatfield, neither of whom have depots in their district or state. Only 3 members of the House Appropriations committee have depots in their districts, out of a total of 56 committee members. The Senate has 10 members out of 26 with depots.

	House Appropriations		Senate Appropriations	
	Members with Depots	Out of	Members with Depots	Out of
Republicans	2	32	8	14
Democrats	1	24	2	12
Total	3	56	10	26

¹⁶Topical Law Reports, Vol. 1: House, Vol. 2: Senate

¹⁷Ibid.

*Table 2. Party Breakdown of the House and Senate Appropriations Committees*¹⁸

While the percentage of depot members is much smaller on the full Appropriations committee, a member of the National Security sub-committee is Jerry Lewis. Jerry Lewis has the Barstow DMA in his district. Fortunately for Depot Reform, Mr. Lewis is not a significant obstacle to reform. The Barstow DMA is a Marine Corps depot, which would be unaffected by most depot reforms.

Why would it be unaffected? Currently, each Service can define what is CORE, so long as the public sector does 60% of the total maintenance work. The USMC has realized its CORE requirements are much higher than the 60% threshold set by Congress. Since the USMC has little lead time before being deployed, they require a much higher degree of control over the depot process. They do not have the time to deal with recalcitrant contractors or striking workers. The tighter control ensures the depots can meet their needs, even when a surge in workload requires long overtime and more shifts. In FY94 89% of USMC depot maintenance was done by public depots. Therefore, Mr. Lewis is much less of an obstacle than if Barstow had been an Army, Air Force, or Navy depot.

Focusing on the House versus the Senate

This paper, a Policy Analysis Exercise, focuses on the politics of the House. At first glance this appears wrong, since the House only has 24 direct votes out 435 (members with depots) versus the Senates 32 out of 100. However, the House actually has 87 members affected by depot reform, as depots often employ people across districts. This swells the ranks of the House members who care about depot reform.

The PAE also focuses on the House, because of the structural differences between the House and Senate. A Senator has different pressures on him or her than a Representative. A Senator must represent an entire state. The many other interests

¹⁸Ibid.

competing for the Senators attention dilute the impact and importance of a single depot. Also, the Senate has only 100 members, and so they cannot spend as much time on specific issues as the House can. The House Readiness Sub-Committee has the time and expertise to debate depot maintenance reform. The Senate has followed the House's lead in depot legislation, and therefore the PAE focuses on the House.

Critical Players and their Committees

The next step in assessing the strength and nature of Congress' concerns is to determine who the critical Congresspersons are. Since the client is primarily interested in obstacles to reform, the initial list contained all Congresspersons with depots in their districts. This is based on the assumption that Congresspersons with something to lose will be the most interested. The assumption is supported and echoed in interviews with several Congressional staffers.

The PAE uses four major criteria for ranking the remaining members. The four criteria are listed and explained below:

Depot Members on Key Committees: The Congresspersons on the key committees have the ability to directly impact depot legislation: both its crafting and its progress through the House and Senate. This is the most important criteria. If the involved committees are against it, reform has little chance of getting to the floor for a vote, .

Years in Congress: The years in Congress is an approximation for influence. The longer a member has been in Congress, the more favors he or she can call on (political capital). This gives a Congressperson an increased ability to affect legislation. The increased influence can help offset the disadvantage of not being on an involved committee.

Key Positions: Key positions include committee chairman, party leadership, and positions of respect. In most cases committee chairman have control over how fast and if legislation moves out of committee. Congresspersons in the two parties' leadership have an added

positional ability to increase pressure on other Congresspersons. The added pressure can help move legislation stuck in committee (or help keep it mired down).

Finally, Congresspersons uninvolved with an issue, but who must nevertheless vote on it, will often follow the lead of an 'expert' Congressperson they trust. Senator Sam Nunn is a good example of a respected authority on Defense matters. To ascertain the Congresspersons who are respected on defense matters, the PAE looked at which Congresspersons made successful amendments to legislation.¹⁹

Party Affiliation: Since the Republicans now have a majority, Republican Congresspersons have a much greater ability to influence the agenda and the outcomes of depot reform. The minority is by no means powerless, but Democrats are having a difficult time slowing down or altering legislation. This is especially pronounced on high profile Republican goals. While depot maintenance reform is not exactly in the *Contract with America*, Democrats would still have a tough time blocking or influencing reform.

Below is a list of the seven most critical Congresspersons. The seven were determined by weighting each of the criteria, adding up a Congresspersons score in the four criteria, and then rank ordering the Congressmen's totals. The list has four Republicans and three Democrats. The selection of these seven members was robust. Sensitivity analysis showed that changing the relative weights of the criteria had little effects. This is due to the high correlation between the criteria (e.g. a Chairman has usually been in Congress for several terms). Appendix A explains the methodology in more detail and gives examples. These individuals not only occupy important positions for reform, but are also representative of the views held by the Congresspersons involved.

¹⁹Interview. Professor. Mickey Edwards

Republicans

Herbert Bateman



Mr. Bateman represents Virginia's 1st District, containing the Norfolk Naval Ship Yard (NSY). He began service as a Representative in 1983. He is a member of the National Defense committee and Chairman of its Readiness sub-committee. Mr. Bateman is the most important individual for depot reform.

Mr. Bateman agrees that the DoD has significant excess depot capacity. He does not believe that the Defense Depot Maintenance Council (DDMC) has enough clout to correct the excess capacity problem. The problem as he sees it: CINC's do not worry about maintenance, they just demand the equipment be ready when they need it. This leads to excess capacity. A Joint Command is a decent solution, however, he does not want it tied into the JCS (the JCS should worry about other problems). A small headquarters for macro decisions would be acceptable, but not a large bureaucracy to layer on top of the existing one.²⁰

Jerry Lewis



Mr. Lewis represents California's 40th District, containing the Marine Corps Barstow DMA. He began service as a Representative in 1979. He is a member of the Appropriations committee and a member of its National Security sub-committee.

Since the Barstow depot is owned by the Marine Corps, Mr. Lewis is not a threat to most reforms. He is not an obstacle unless

²⁰Mr. Bateman's position is derived from statements in the Congressional record, given during Readiness Sub-committee hearings on Depot Consolidation (1993 and 1994 hearings).

the reforms will effect the USMC's requirements. Changing the 60/40 rule would not effect the USMC; hence, Mr. Lewis has no official stance on altering the law.²¹ Mr. Lewis' principle concern with reform is how it will utilize the existing infrastructure, specifically the Barstow DMA.²² Of course, the best reform in his eyes' would increase the work done in Barstow.

James Hansen



Mr. Hansen represents Utah's 1st District, the site of the USAF's Ogden Air Logistics Center (ALC). He has been serving in the House since 1981 and is a member of the National Defense committee.

DoD depots are the states top three federal employers, injecting \$2.5 billion into the state's economy. Mr. Hansen agrees that DoD depots have 50% excess capacity. He wants a mechanism for mandating interservicing; specifically USAF and Navy aircraft interservicing. A Joint Command is an acceptable, if not optimal, solution to the depot problem. However, he wants the command or any similar organization insulated from political pressure.²³

Bud Shuster



Mr. Shuster is from Pennsylvania's 9th District, home to the Letterkenny Army Depot (AD). He has been in the House for more than twenty years, since 1973. While not a member of either the Appropriations or National Defense committees, he is Chairman of the full Transportation committee.

The Secretary of Defense recommended the 1995 BRAC

²¹Interview. Kevin Hviskes. 14 March 1995.

²²Ibid.

²³1994 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

close the Letterkenny AD. The closure would result in the loss of 2499 civilian jobs.²⁴

²⁴This includes both the Letterkenny AD (2055 civilians) and the Letterkenny Defense Distribution Depot (374 civilians). New York Times, 1 March 1995.

Democrats

Henry Gonzalez



Mr. Gonzalez represents Texas' 20th District, containing the San Antonio ALC. As one of the most senior Democrats (began service in 1961), he lost the most power when the Republicans took control of the House. He is the ranking minority member (former Chairman) on the Banking committee.

In the case of Mr. Gonzalez the new Republican majority is a boon as his influence has significantly decreased. Mr. Gonzalez does not acknowledge that the DoD has significant over capacity. Indeed, he sees the present depot situation (including the existing legislation) as both acceptable and appropriate. His belief in the existing structure is rooted in the increased instability of the post-cold war years. The instability requires the depots to maintain their extra capacity, in case it is needed. Increasing the level of competition is fine, but he opposes changing the level of capacity. The 60/40 rule embodies his version of what CORE capacity needs to be. He is specifically against the idea of forming a Joint Command.²⁵ The shift in party power has dramatically reduced Mr. Gonzalez's ability to oppose depot reform.

Solomon Ortiz



Mr. Ortiz represents the 27th District of Texas, site of the Corpus Christi AD. He began service in 1983 and is a member of the National Defense committee and its Readiness SubC.

Mr. Ortiz has been fending off BRAC closure attempts for the past four years. He sees his public depot as vulnerable.

²⁵Mr. Gonzalez's positions are derived from written testimony given during the Readiness Sub-committee hearings on Depot Consolidation and an interview with his Legislative Director, Ms. Jennifer Sada.

He believes the vulnerability stems from the inability of the public sector to compete fairly against the private depots. He is unsure of DoD depot over-capacity, but wants his public depot to be able to compete for any DoD work. Mr. Ortiz's principle goal is to keep Corpus Christi open, and he views the current structure as the best method.²⁶

Glen Browder



Mr. Browder is from Alabama's 3rd District, home to the Anniston AD. He began

service in the House relatively recently, since 1989. However, he is a member of both the National Defense and Budget committees. In addition, he is the Chair of the House Depot Caucus. The caucus mobilizes opposition to any efforts that might adversely affect the public depots.

Mr. Browder sees the principle challenge in depot reform as achieving a proper balance between organic (public depots) and privatization. While he acknowledges the DoD depots' over capacity, he is worried about shifting too much work to the private sector -- firms driven only by the 'bottom-line.' "What assurances can DoD have from Industry," that industry will not forsake critical depot work, especially if they are the single source?²⁷ Other concerns, like private sector strikes and ensuring surge capacity, also make him skeptical of reform. On the other hand, he sees that the DoD needs the authority to reduce the excess capacity. He is not opposed to a Joint Command, but does not want to change the existing legislation. He sees achieving the proper balance of private and public work as difficult, and the current legislation is still the best way to keep the proper mix.

²⁶1994 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

²⁷Ibid.

Changes to the Political Landscape

Two major events have dramatically changed the political landscape of depot reform: the 1994 Elections and the BRAC Closures. This section analyzes the recent changes and shows how the changes have opened new opportunities for depot reform.

Effect of the Elections

In a comparison of the pre and post 1994 Congresspersons, the PAE found a dramatic drop in the opposition to reform. The reduced opposition has several components. First, the new members of Congress, who have replaced more senior Congresspersons, do not have the same clout or influence to protect their interests. For example, Representative Earl Hutto, who was the Chairman of the Readiness Sub-committee and a strong opponent to any reform, was not reelected in 1994.

Secondly, senior Democrats are able to remain on the National Defense Committee, but they are in the minority, which strongly curtails their influence. Congressman Ortiz is a good example. He is cited in this paper as a major player, but now he is much less able to influence the debate or stall reform efforts.

Thirdly, many of the newly elected Republicans do not have the influence to get positioned on the National Defense Committee. With such a great demand for placement on the committee, the Republican leadership gave most of the positions to more senior party members. For the freshmen Republicans who did manage to get on the full National Defense committee, they were not able to get placed on the Readiness Sub-committee. This dilutes the impact they can have on reform, since the reform effort will start in the sub-committee. Representative Burt Lancaster was a member of the Readiness Sub-committee and an opponent to reform. He was replaced in 1995 by Congressman Jones, who has not been able to get placed on the Readiness Sub-committee.

Finally, the Republican party has a much different attitude towards the public sector. The Republican party is against the public sector doing what the private sector can

do. The party leadership is strongly committed to this philosophy.²⁸ Underlying this philosophy is a central belief in most Republicans: the belief in a smaller government. Indeed, the Republican's agenda is tailor made for depot reform. The *Contract with America* calls for two opposing goals: on one hand it calls for a stronger defense, and on the other hand requires a smaller budget. The easiest way to accomplish both goals is to seek gains in efficiency. Increasing efficiency will allow the DoD to do more (a stronger defense) with less money (a smaller budget). These efficiency gains are a principle goal of the CORM.

Effect of the BRAC's Recommendations

The BRAC's base closures have dramatically increased the prospect for depot maintenance reform. Congress and President Reagan established the Base Closure and Realignment Commission (BRAC) in 1988 to "provide a fair process that will result in the timely closure and realignment of military installations inside the United States."²⁹ Congress reinstituted the legislation in 1990, setting three more base closure rounds in 1991, 1993, and 1995.

The legislation requires the Secretary of Defense to submit a list of proposed military base closures. Secretary Perry recently submitted the closure recommendations for the 1995 BRAC round. The BRAC must submit a final list to the President by July 1st. He must then accept or reject the list by July 15th. Once accepted, only a rejection by the House and Senate within 45 working days can stop the recommendations from becoming law. In the past three rounds, the BRAC recommendations have all passed without significant modification.

²⁸Interview. Prof. Mickey Edwards.

²⁹1993 BRAC Report to the President

Reduction in the Depots' Congressional Support Base

The BRAC closures have reduced the depots level of importance. Figure 6 shows how the number of depots has decreased over the past several years. As the number of depots shrinks, so has the number of Congresspersons interested in the issue. Congresspersons have an incredible number of problems and concerns they must handle. Their small staffs cannot tackle all the issues, requiring them to prioritize. If a Congressperson has a depot in his or her district, then his or her staff will get involved in depot issues. Interviews with different Congressional staffers dramatically reinforced this notion. With less Congresspersons interested, the level of support for DoD depots has also dropped.

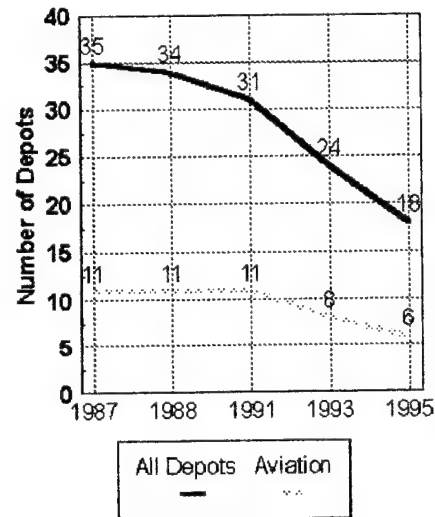


Fig. 6. BRAC's effects on Depots³⁰

New Allies

The closures have placed Congresspersons, who had previously opposed reform, into a neutral or supportive stance for reform. If a Congressperson's depot is closed, the primary reason for opposing reform is gone. This is based on the assumption that most Congresspersons are opposing reforms, because they do not want to see their constituents' jobs eliminated. The PAE discusses this assumption in the next section. Unshackled from the political need to protect a depot, the PAE has discovered two key allies in the fight for depot reform: John Kasich and Herbert Bateman.

Representative Kasich has typically championed efforts to increase efficiency and reduce the cost and size of government. He is well known and respected for his zealous,

³⁰Defense Science Board on Task Force Depot Maintenance Management, April 1994. Please note: the 1995 numbers assume the 1995 BRAC will not change the Defense Secretary's list of recommended closures.

non-parochial pursuit of saving money. Mr. Kasich hails from the 12th District of Ohio, former home to the Newark ALC. Newark ALC was closed in the 1993 BRAC.



Mr. Kasich is a member of the National Defense committee, its Readiness sub-committee, and most importantly the Chairman of the Budget committee. He has the arduous task of proposing cuts for eliminating the federal deficit. Recently he made headlines for creating a list of over \$200 billion in proposed cuts.³¹ He was already amenable to depot reform before the closure of Newark.³² Now, he has even more incentive to push for money-saving reform.

A confluence of factors make Mr. Kasich a powerful ally. His experience with Depots means he understands the issue. His testimony shows his active support for different reform proposals.³³ As Budget Chairman he will be extremely motivated to find possible areas for savings, and he has the influence to push reform forward.

Representative Bateman, who is the Chairman of the Readiness sub-committee, is the other key ally. He has the Norfolk NSY in his district. His support is contingent on the 1995 BRAC closing the Norfolk NSY, a shipyard the Secretary of Defense recommended for closure. If the base is closed, the Chairman of the Readiness sub-committee would be much more open to depot reform.

The base is quite likely to remain on the closure list. The 1993 BRAC report specifically addressed the need for reducing the DoD depot infrastructure, citing itself as the best chance for effective depot cost reduction.³⁴ In addition, the BRAC uses several criteria in deciding to close a base, all of which the Norfolk NSY meets. Examples of the criteria are: the different needs of the Armed Services (given the most priority) and the economic impact of the closure. The Navy requested the BRAC close the Norfolk NSY,

³¹New York Times.

³²1993 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

³³1993 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

³⁴1993 BRAC Report to the President, pg. 3-6.

because it needs only two main ports (one on each coast). The other NSY candidate for closure, Portsmouth NSY, has unique facilities for servicing nuclear submarines. Also, Norfolk NSY comprises only a portion of the vast Norfolk military infrastructure, so it will not cripple the local economy. All of these factors make the closure of Norfolk NSY likely. Therefore, reform efforts will most probably have the cooperation and support of Mr. Bateman.

The Final Round

The authorizing legislation stipulates the 1995 round as the final round. In general, this will reduce a Congressperson's anxiety about reforming the depots, as they know their base will not be closed. The prospects for another set of BRAC rounds is dim and would take place several years down the road. Secretary Perry stated this will be the last round for a while, due to the high cost of closures.³⁵ A base requires a large initial outlay of money to close it (costs from things like environmental cleanup and relocation of equipment). The savings do not materialize until several years later. Therefore, Secretary Perry wants to wait a while before another BRAC round. Without the BRAC, more bases are not going to be closed.

With the fear of the BRAC gone (or at least greatly diminished) Congresspersons will be more open to reform.³⁶ The 60/40 rule was a political construct designed to protect the public depots from the BRAC. The 60/40 rule made the depots look useful and necessary, since the DoD was now required to do more work in public depots. While the 1993 BRAC recommended repealing the 60/40 law, the BRAC nevertheless had to incorporate the 60/40 split in its downsizing decision. When the BRAC is gone so is the political need for the 60/40 rule.

³⁵New York Times.

³⁶Interview. Peter Steffes.

Nature and Strength of Congress' Concern

The Congresspersons involved have a distinct set of concerns about depot maintenance reform, concerns that have been seriously influenced by the recent elections and BRAC rounds. The PAE used many different sources to draw out the key concerns of the Congresspersons. Examples of the sources include written and spoken Congressional testimony, interviews with Congresspersons' staff, the National Defense committee staff, and other non-Congressional officials involved in depot reform. Using this information, the PAE has found four principle concerns that Congress has about depot reform: Jobs, Savings, Control, and Military Requirements.

Jobs

Congresspersons do not want their constituents' jobs cut. This is the primary Congressional concern for members who have depots in their districts. The large economic importance for communities, and that importance translates directly into votes.³⁷ While the BRAC provides Congresspersons political shielding from the effects of base closures, depot reform gives no such protection. The Jobs concern can be restated as a need for reforms to be jobs neutral (a reform will not affect the number of jobs). The Republican bias against the public sector moderates the importance of job neutrality, but the bias does not come close to eliminating the concern.

The PAE assigns a relative weight of 8 out of 10 to the *Jobs* concern. The relative weight is a rough quantitative measure of how much importance Congress places on the concern. For this exercise, Congress is considered to be the Congresspersons who would become involved in any depot reform debate. The Congresspersons include (in order of level of involvement): Congresspersons representing depots, Readiness Sub-committee members, National Defense Committee members, the Appropriations Committee

³⁷See the 9 April, 1995 New York Times article, "Anniston Journal: Those who trusted the Military feel Betrayed," by Rick Bragg. The article effectively describes an example of how important a depot can be for a community.

members, all other members of Congress (for when the package comes up for a vote by the entire House). As an example, the greatest weight is given to members with depots, since they will be the most actively engaged people.

Cost Savings

If Congresspersons are going to spend their time and political capital on depot reform, the reform must produce sizable savings. Reform for the sake of reform is not enough to motivate overworked staffers or their Congresspersons. The savings are the primary justification for this reform effort.

The PAE assigns a relative weight of 6 out of 10 to the *Cost Savings* concern. Without substantial cost savings, a reform effort will not be able to muster supporters. The effect reforms have on jobs and the military's requirements rank higher. The Republicans have repeatedly stated they will not sacrifice military readiness for budget cuts. Additionally, Congress will disperse the savings, some to reduce the federal deficit, some to other DoD programs. The savings will benefit everyone, but only marginally. On the other hand, the cost of the savings (jobs lost) will be concentrated on just a few Congresspersons. The few will fight, while the many lie inactive -- since they do not have close to the same incentive to fight back. Therefore, the PAE places *Cost Savings* below *Jobs* and *Military Requirements*, with a medium rating.

Control

The Control concern has three elements. First, Congress is hesitant to give up the control it has now. The 60/40 rule gives the Congresspersons a sense of security.³⁸ The law ensures their depots will remain viable. Second, when the last BRAC is finished, Congresspersons will give more weight to the Services' position in a debate. If the Services are unified against a reform, Congress will likely heed the advice of the Services. Finally, the new focus on Jointness directly offsets the weight given to the Services'

³⁸Interview. Peter Steffes.

position. The new focus on Jointness helps mitigate the importance of the Services, if Congress perceives them as acting parochial.

The PAE assigns a relative weight of 4 out of 10 to the *Control* concern for two main reasons. The fact that Congress is reluctant to give up control, evidenced repeatedly in staff interviews and Congressional hearings, demands that Control be considered a major concern. However, it ranks lowest due to the counteracting effect of Jointness.

Military Requirements

The most important Congressional concern is maintaining the military's readiness, meeting the military's depot requirements. Congresspersons give a great deal of weight to the effects of reform, specifically the effects reform will have on the military's fighting ability. This is especially true with the new Republican majority. They have constantly declared the dangerous state of the US military and how they will seek to maintain a strong defense. For these reasons, the PAE gives the *Military Requirements* concern the highest rating, a relative weight of 9 out of 10.

Options

The PAE uses the four principle concerns to rate the political viability of four different options. This section shows how the different options rate in each of the four concerns and estimates their chance for passage. The PAE uses the relative weights mentioned in the previous section to help estimate the chances for passage.

Option 1: Status Quo

Option 1 prescribes maintaining the existing system. Examining the status quo is useful, as it provides a baseline to compare other options. The option would maintain the current legislative restrictions. Congress allows the Services to try and remedy the depot maintenance problem, but any reform must be done within the confines of the current law. No impetus would be given to bring the Services toward a joint solution. Figure 7 shows how the current depot situation scores on the four principle concerns.

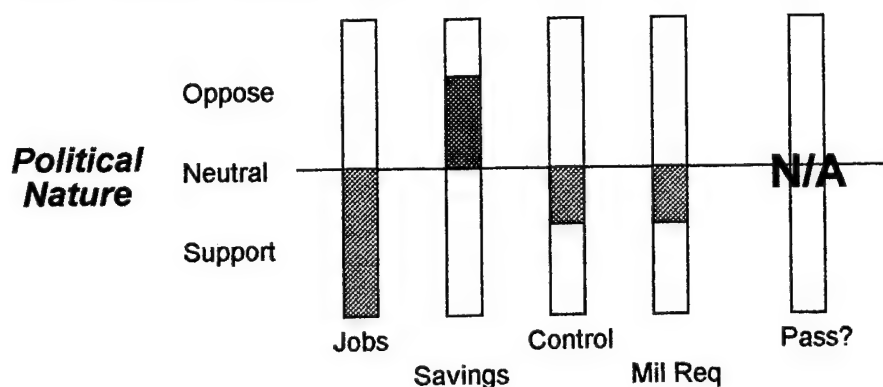


Figure 7. Political Performance of Option 1

Jobs: The status quo's greatest attribute is its ability to protect jobs. The 60/40 rule, the \$3 million restriction, and the 5 year limit all conspire to create a safe zone for depot jobs. No Congressperson will oppose a system that protects his or her constituents' jobs. Note that the Jobs criteria is measured, *given all other things equal*. All other things equal

means that a politician will favor protecting jobs when nothing else is effected. Therefore, the status quo receives the strongest possible support on the *Jobs* concern.

Savings: The reason the DoD is challenging the status quo is due to its high price. Justification for the reform effort is primarily based on achieving cost reductions. With the current budget pressures on Congress, the high costs of the status quo create resentment and opposition. The lack of savings generate a major level of opposition but not a maximum level. The savings do not reach the maximum, because they are on the order of \$2-9 billion dollars -- a small amount compared to the \$252 billion DoD budget.

Control: Control is evenly shared between the Services and Congress, an acceptable arrangement for both. Congress has set the general guidelines, and Congress has given the Services a free-hand to operate within those parameters. The sharing of control provides a good deal of political support. However, the current lack of Jointness detracts from the support some Congresspersons would otherwise give to the present system. The offsetting factors mitigates the support, providing only a medium level of support for the Control aspect.

Military Requirements: Congress and the military see the current system as the one with the least risk.³⁹ However, the DoD has a finite amount of money to spend, and must therefore spend it where it is most useful. The issue becomes a question of Opportunity Cost. How much is the US military and Congress willing to pay for the lower risk?⁴⁰ Even with the large defense budget cuts, the DoD still has huge defense demands to meet. The DoD can better utilize a portion of the money being spent on depots, such as on 'quality of life' or training exercises. Hence, while the present system more than meets the military's requirements, the DoD could put the depot money to better use elsewhere. This

³⁹1993 and 1994 Readiness Subcommittee Hearings on Title III - Operation and Maintenance

⁴⁰Integrated Management of DoD Depot Maintenance Activities, Vol. 1

makes the Services reluctant to support the status quo. Therefore, only a medium level of support is given to the Military Requirements concern.

The status quo provides a benchmark for comparison to the other options. In deciding to support or oppose reform, a Congressman is going to constantly look at what he or she has in place now. Any reform effort must show why it is more advantageous than what exists now.

Option 2: Single Management Element

The Single Management Element (SME) seeks to eliminate duplication and excess capacity while minimizing interference with the individual Services. The SME would be a top-level DoD authority. The authority could take many forms, but remains unspecified for this option. The SME would only have the "authority required to efficiently coordinate activities across Service boundaries."⁴¹ The narrow mandate of the SME will lower the threat the Services would otherwise feel, a threat of encroachment by another bureaucracy. Colonel Rice presented Option 2 to the CORM. The PAE analysis supports this recommendation. Figure 8 shows how the SME proposal scores on the four principle concerns.

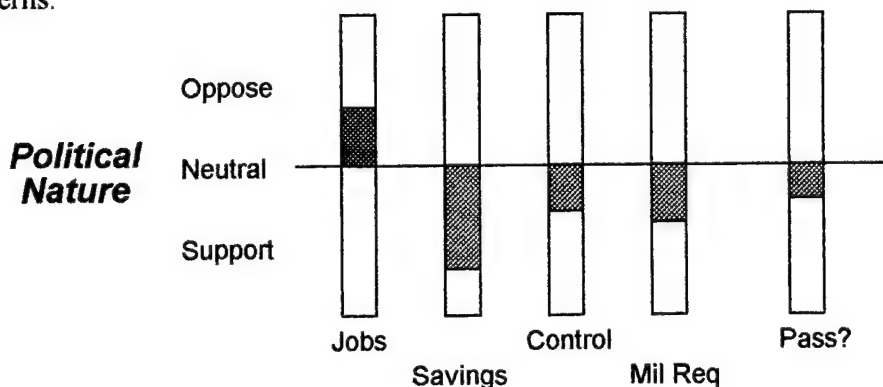


Figure 8. Political Performance of Option 2

⁴¹CORM Aviation Infrastructure Draft Paper, pg. 4

Jobs: Eliminating redundant capacity will cost some jobs, creating opposition. The opposition is tempered for two reasons. First, if there are two duplicative depots, which depot would be cut is not specified. Choosing the depot to be cut would be another whole political fight, but this time the struggle would just be between the Congresspersons. Secondly, the SME option cuts only jobs that are not easily defensible. The option separates the jobs issue from the military readiness concerns, since only duplicative jobs will be cut. Also, the jobs are not cut in an obvious or direct way, helping reduce opposition.

Savings: The option should produce sizable savings, \$2-9 billion.⁴² Eliminating duplication is an easy concept to grasp, and the corresponding savings are credible. Since the SME will involve only small reductions in personnel, direct costs are not the chief source of savings. Indirect costs are a major component of the savings. The indirect costs "represent the monetary value of the elimination of excess redundancy and the improvements in efficiency that an SME could produce."⁴³

Control: The SME option takes some control from the Services but attempts to minimize interference with them. Interference is minimized, because the Services maintain control over their own requirements, facilities, and weapon systems management. The top-level authority would act only to resolve the conflicts between the Services.

Military Requirements: Option 2 keeps the risk to readiness low by promoting interservicing. Throughout Congressional testimony, Congresspersons demanded more interservicing. In actuality, the military's requirements would not have be loosened, instead the depots would meet them by gains in efficiency. Besides removing duplication and excess, the efficiency gains would come from greater economies of scale. Therefore,

⁴²1993 BRAC Report to the President, pg. 3-6.

⁴³CORM Aviation Infrastructure Draft Paper, pg. 6

option 2 only reduces readiness slightly, but the small reduction creates a large gain in savings.

Weighting each of the above factors with their corresponding strength, the PAE estimates the option has a better than even chance of passage.

Option 3: Joint Command

Option 3 is a subset of Option 2, a more specific version of top-level authority. Under Option 3 Congress would create a new Joint Command. The Joint Command would have control over all DoD depots, public and private. While the Service might technically own the public depots, the Joint Command would have operational control over the depots and allocate work as it sees fits. This option centralizes decision making into one body. Figure 10 shows how the Joint Command scores in the four principle Congressional concerns.

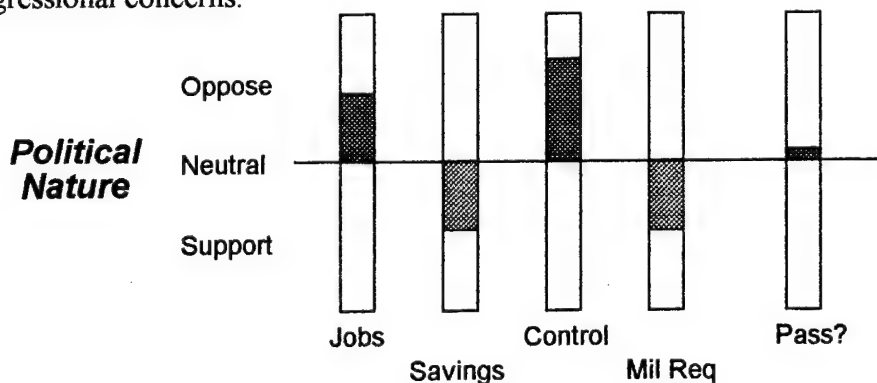


Figure 9. Political Performance of Option 3

Jobs: Like Option 2, the Joint Command would have a negative but indirect and vague effect on jobs. The same rationale and the same score applies.

Savings: The actual savings would be close to the SME option. However, in the minds of many Congresspersons savings would be reduced. They perceive the smaller savings, because the option creates a new layer of bureaucracy. Otherwise the savings are similar

to Option 2. For *Savings*, the Joint Command therefore scores positively, but less than the SME.

Control: The Services would strongly resist an effort to take control from them. During Congressional hearings, generals and admirals from all the Services voiced their opposition to a Joint Command. The option was cited as violating the maintenance part of USC Title 10. Title 10 requires the Services to train, equip, and maintain their forces. Naturally, proponents of increased Jointness support the Joint Command idea. The base of support in Congress for Jointness is sizable, but not as strong as the opposition. The opposition is especially high, due to the unified opposition of the Services. The net result is large opposition on the *Control* concern, yet not as large as it would have been before Goldwaters-Nichols catalyzed the need for more joint operations.

Military Requirements: A Joint Command should be better able to satisfy the needs of the war-fighters, the geographic Commanders-in-Chief (CINC). Since decision-making would encompass the needs of the entire DoD, more of the CINCs' needs might be addressed. A good number of Congresspersons are now amenable to the Joint Command option. They support it out of a desire for a stronger military. Therefore, this option scores modestly high in the *Military Requirements* concern.

With both jobs and control in opposition and the perceived lack of larger savings, the PAE estimates the option has a little less than even odds of passing.

Option 4: Empowered Consumer

Option 4 attempts to create a free market atmosphere. Under this option, the individual Services are the consumers. They would be unhindered in choosing what they see as their optimal depot maintenance structure. The new role actually just empowers the role the Services are playing now. The major difference is the Services must now

anticipate all the needs of their respective organizations and plan accordingly. They would be responsible for maintaining an adequate industrial base capable of handling future contingencies. The Services would have to manage the effects of natural monopolies in the market place. The new responsibility is an expansion of a function they already perform.

This approach avoids the whole CORE equipment debate. Under the new system, each Service defines CORE without the 60/40 limitation. Each Service can then send non-CORE maintenance to the cheapest contractor, whether it be a public or private depot. As mentioned previously, the US Marine Corps already roughly defines CORE. Figure 10 shows how the option scores.

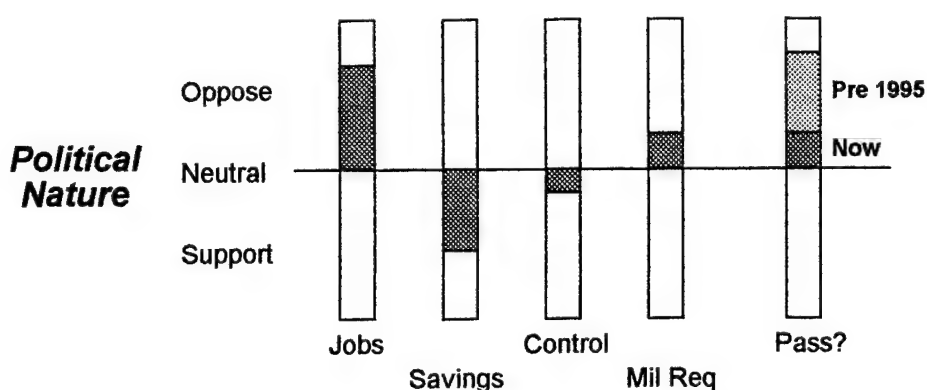


Figure 10. Political Performance of Option 4

Jobs: This option has the most direct and negative effects on jobs. For all the admirable characteristics of the 'invisible hand of the market place,' compassion is not one of them. Congresspersons will be reluctant to embrace such a harshly competitive system. The change in opposition, between pre and post 1995, is largely due to the Republican shift in Congress. However, the Republican bias towards the private sector and a free economy does not lessen the importance of their constituents' jobs. Additionally, whimsical allocation choices by the Services between public depots could cause unnecessary layoffs and hardship on the workers. This option would generate its most serious opposition from its affect on *Jobs*.

Savings: This option has the greatest potential for savings in the long term. The savings would accrue as competition forces innovation and creates greater efficiency. With the increases in productivity, the option will steadily lower costs. This prediction is predicated on the assumption of competent management by the Services. If the Services are not able to be rationale and smart consumers, the savings will not materialize. Assuming competence, Option 4 scores well on the *Savings* concern.

Control: Two counteracting forces are at work in the *Control* concern. First, the Services will strongly support this option. The option gives the Services the control they have wanted for a long time, freeing them from the 60/40 and other legislative restraints.⁴⁴ Secondly, Congresspersons will not want to give up the control they have now. The opposition derives from many reasons; from wanting to protect jobs to distrusting the Services to adequately account for future needs. The Congressional worries and the Joint Operations implications offset the support gained by a united Services front. The result is opposition on the *Control* concern.

Military Requirements: This option will satisfy the individual Services' requirements best. As long as the Services are competent consumers, the market will meet their needs. No other organization is better suited to know the needs of the different Services. Unfortunately, the option ignores any need for Jointness in depot operations. Without a top-level authority, Joint needs may not be met. Also, the 60/40 rule is an historically derived allocation. If the Services seek to fine tune their depot work, they may be caught off-guard when the next crises occurs. Again, this option depends on the aptitude of the Services to know their own needs. The research conducted indicates that many involved Congresspersons do not trust the Services to adequately anticipate their needs. The lack

⁴⁴Air Force White Paper

of Jointness and Congressional worries offsets the political effect of the Services support. The result is opposition on the *Military Requirements* concern.

This option has the least chance of passage. Before 1995, this option would never have passed. With the 1994 Elections and the BRAC rounds, the opposition has decreased, but not enough to warrant passage.

Summary

The table below summarizes the performance of the different options with respect to the four concerns. Each concern is rated on a scale from +5 (strongest political support) to -5 (strongest political opposition). The chances of the option passing are given in the 'Pass?' column. The column is the weighted average of the four concerns, again on a scale of +5 to -5.

	Jobs	Savings	Control	Mil Req.	Pass?
Option 1: Status Quo	+5	-3	+2	+2	2
Option 2: SME	-1.5	4	1.5	2.5	1.5
Option 3: Joint Command	-2	2	-4	2	-0.1
Option 4: Consumer	-3.5	3.5	1	-2	-1

Table 3. Comparison of Performance of the four Options

Recommendation

The PAE recommends **Option 2: the Single Management Element** proposal, because it has the best chance of passage.

The PAE recommends Option 2 for four main reasons. First, the SME option has a lower risk to readiness than the Empowered Consumer option. Secondly, since the SME option is almost jobs neutral, it will ignite much less resistance from Congresspersons with depots in their districts. Thirdly, while placating the jobs concern, the option still achieves significant cost savings. The SME proposal is structured so it mitigates the Services' resistance. After combining all of these factors, the PAE gives Option 2 the best chance for passage.

Additionally, the PAE strongly recommends gaining the support of Mr. Kasich and Mr. Bateman. As allies they will be crucial to any successful reform effort. Mr. Kasich's and Mr. Bateman's positions give them the leverage needed to move an issue through Congress. Without strong allies, the reform effort has no chance of resisting the status quo.

Finally, the PAE has undertaken this analysis from the political point of view. This paper is part of a group effort. Others are tackling the substantive military-need issues. The needs of the military did not factor into the analysis, except in so far as the needs effected the politics of depot maintenance reform.

Conclusion

The best chance for real reform is now. A politically successful policy will have four key characteristics:

- be Jobs neutral,
- have credible and significant Savings,
- keep Control close to the Services⁴⁵
- advocate Competition where feasible.

The changes in Congress and the combined effects of the BRAC have opened a window of opportunity. The window will be open from the end of the 1995 BRAC round until the 1996 election. After the 1996 elections, it is impossible to predict what will happen. If the Republicans stay in power, more junior members will gain more power and influence. This will raise the level of opposition, slowly but consistently. If the Democrats win back the Congress, the opposition level will increase also, assuming they retrench into their old positioning.

Now is the time to act.

⁴⁵The PAE advocates allowing the Services to keep as much control as possible. However, the political power of Jointness is difficult to gauge. If Jointness becomes a paramount issue in Congress, then keeping control close to the Services will not be as important.

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